

# House File 2471 - Reprinted

HOUSE FILE 2471

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2359)

(SUCCESSOR TO HSB 604)

(As Amended and Passed by the House April 23, 2012)

## A BILL FOR

1 An Act relating to economic development by providing an  
2 adjustment to net income for certified suppliers of anchor  
3 manufacturers for purposes of state taxation and including  
4 retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1. NEW SECTION.   **15.226 Definitions.**

2     For purposes of this part:

3     1. "*Anchor manufacturer*" means a business that meets all of  
4 the following:

5     a. Manufactures tangible personal property at a facility in  
6 Iowa.

7     b. Exports at least fifty percent of the tangible personal  
8 property produced at the facility to markets outside of the  
9 state.

10    2. "*Certified supplier*" means a business certified pursuant  
11 to section 15.227.

12    3. "*Facility*" means a building or buildings located in the  
13 state at which tangible personal property is manufactured for  
14 sale within or without the state of Iowa.

15    4. "*Manufactured*" or "*Manufactures*" means adding value to  
16 personal property through a process of manufacturing, refining,  
17 purifying, combining of different materials, the packaging of  
18 meats, extracting and recovering natural resources, and all  
19 processes of fabricating and curing, with a view to selling the  
20 property for gain or profit.

21    5. "*Tangible personal property*" means the same as defined in  
22 section 422.33, subsection 2, unnumbered paragraph 2.

23    Sec. 2. NEW SECTION.   **15.227 Certification of suppliers.**

24    1. A business meeting the requirements of subsection 2 may  
25 apply to the authority, no later than ninety days after the  
26 end of a tax year of the business, for certification under  
27 this section. If a business applying to the authority meets  
28 the requirements of subsection 2, the authority shall issue  
29 a certificate to the business stating that the business is a  
30 certified supplier.

31    2. To receive certification as a certified supplier, a  
32 business must meet all of the following for the tax year  
33 immediately preceding the tax year for which the requested  
34 certificate will be valid:

35    a. The business manufactures tangible personal property at a

1 facility in Iowa.

2     *b.* The business derives more than ten percent of its gross  
3 sales of tangible personal property manufactured at a facility  
4 in Iowa from sales to anchor manufacturers. For purposes of  
5 the requirement in this paragraph, a business may aggregate  
6 gross sales to more than one anchor manufacturer.

7     *c.* All sales by the business to anchor manufacturers are  
8 arm's length transactions.

9     *d.* The business provides a statement from an anchor  
10 manufacturer, signed by an officer or authorized representative  
11 of the anchor manufacturer, attesting that the anchor  
12 manufacturer meets the definition of anchor manufacturer under  
13 section 15.226, and provides supporting documentation in a form  
14 prescribed by the authority.

15     *e.* The business meets one of the following criteria:

16         (1) At least ten percent of the total payroll of the  
17 business is located in the state.

18         (2) The business employs at least fifty employees at a  
19 facility in the state.

20     *f.* The business agrees to annually provide to the authority  
21 information and data on jobs created and capital investments  
22 made in the state by the business. The information and data  
23 shall be in a form prescribed by the authority.

24     *g.* The business is not an anchor manufacturer.

25     3. A certificate is valid for one tax year and shall include  
26 an expiration date. Reapplication may be made each year for  
27 certification under this part. The department of revenue shall  
28 accept a validly issued, unexpired certificate issued under  
29 this section.

30     4. The authority shall not issue certificates pursuant  
31 to this section for tax years beginning on or after January  
32 1, 2015. On or after January 1, 2015, the authority and the  
33 department of revenue shall coordinate with the chairpersons  
34 of the senate and house standing committees on economic  
35 growth and rebuild Iowa to evaluate the effectiveness of this

1 certification process and the related adjustments to net income  
2 provided in chapter 422, and the feasibility of continuing both  
3 into the future.

4     Sec. 3. NEW SECTION. 15.228 Eligibility for adjustment to  
5 net income of certified suppliers.

6     1. A certified supplier shall be eligible to make the  
7 adjustment to net income in section 422.35, subsection 26, for  
8 a tax year if all the following apply:

9     a. The certified supplier's net business income for the tax  
10 year, allocated and apportioned to this state under section  
11 422.33, subsection 2, paragraph "b", computed without regard  
12 to section 422.35, subsection 26, increased by more than five  
13 percent over the certified supplier's net business income in  
14 the prior year, allocated and apportioned to this state under  
15 section 422.33, subsection 2, paragraph "b".

16     b. The certified supplier attaches a copy of a valid,  
17 unexpired certificate issued under section 15.227 to the  
18 certified supplier's tax return required under chapter 422.

19     2. A taxpayer who is a shareholder in a subchapter S  
20 corporation that is a certified supplier shall be eligible to  
21 make the adjustment to net income in section 422.7, subsection  
22 57, for a tax year if all the following apply:

23     a. The certified supplier's net business income for the tax  
24 year, allocated and apportioned to this state under section  
25 422.33, subsection 2, paragraph "b", computed without regard  
26 to section 422.35, subsection 26, increased by more than five  
27 percent over the certified supplier's net business income in  
28 the prior year, allocated and apportioned to this state under  
29 section 422.33, subsection 2, paragraph "b", computed with  
30 regard to section 422.35, subsection 26, if the subchapter S  
31 corporation was a certified supplier in the previous tax year  
32 and met the eligibility requirements in this paragraph "a".

33     b. The shareholder attaches a copy of a valid, unexpired  
34 certificate issued under section 15.227 to the shareholder's  
35 tax return required under chapter 422.

1     3. For purposes of establishing eligibility under this  
2 section, "*net business income*" shall not include any income of  
3 a certified supplier that is attributable to an existing trade  
4 or business or income-producing contract that was acquired by  
5 the certified supplier through merger or acquisition during or  
6 after the first year for which the certified supplier becomes  
7 eligible pursuant to this section for the adjustments to net  
8 income in section 422.7, subsection 57, or section 422.35,  
9 subsection 26.

10     Sec. 4. NEW SECTION.   **15.229 Rules.**

11     The authority and the department of revenue may adopt rules  
12 for the implementation of this part.

13     Sec. 5. Section 257.21, Code 2011, is amended to read as  
14 follows:

15     **257.21 Computation of instructional support amount.**

16     1. The department of management shall establish the amount  
17 of instructional support property tax to be levied and the  
18 amount of instructional support income surtax to be imposed  
19 by a district in accordance with the decision of the board  
20 under section 257.19 for each school year for which the  
21 instructional support program is authorized. The department  
22 of management shall determine these amounts based upon the  
23 most recent figures available for the district's valuation of  
24 taxable property, individual state income tax paid, and budget  
25 enrollment in the district, and shall certify to the district's  
26 county auditor the amount of instructional support property  
27 tax, and to the director of revenue the amount of instructional  
28 support income surtax to be imposed if an instructional support  
29 income surtax is to be imposed.

30     2. The instructional support income surtax shall be imposed  
31 on the state individual income tax for the calendar year during  
32 which the school's budget year begins, or for a taxpayer's  
33 fiscal year ending during the second half of that calendar year  
34 and after the date the board adopts a resolution to participate  
35 in the program or the first half of the succeeding calendar

1 year, and shall be imposed on all individuals residing in the  
 2 school district on the last day of the applicable tax year.  
 3 As used in this section, "*state individual income tax*" means  
 4 the taxes computed under section 422.5, without regard to the  
 5 adjustment to net income in section 422.7, subsection 57, less  
 6 the amounts of nonrefundable credits allowed under chapter 422,  
 7 division II.

8 Sec. 6. Section 422.7, Code Supplement 2011, is amended by  
 9 adding the following new subsection:

10 NEW SUBSECTION. 57. *a.* If the adjusted gross income  
 11 includes income from a subchapter S corporation for which the  
 12 taxpayer is a shareholder, which subchapter S corporation is  
 13 a certified supplier that meets the requirements in section  
 14 15.228, subsection 2, paragraph "*a*", the taxpayer may subtract  
 15 an amount based on the taxpayer's pro rata share of the  
 16 profits or losses from the subchapter S corporation equal to  
 17 the difference between the subchapter S corporation's net  
 18 business income for the tax year, allocated and apportioned  
 19 to this state under section 422.33, subsection 2, paragraph  
 20 "*b*", computed without regard to section 422.35, subsection 26,  
 21 and one hundred five percent of the subchapter S corporation's  
 22 net business income for the prior tax year, allocated and  
 23 apportioned under section 422.33, subsection 2, paragraph "*b*",  
 24 computed with regard to section 422.35, subsection 26, if  
 25 the subchapter S corporation was a certified supplier in the  
 26 previous tax year and met the requirements in section 15.228,  
 27 subsection 2, paragraph "*a*". A taxpayer who is a resident shall  
 28 not make the subtraction provided in this subsection unless  
 29 the taxpayer also makes an election pursuant to section 422.5,  
 30 subsection 1, paragraph "*j*", subparagraph (2).

31 *b.* For purposes of the adjustment provided in this  
 32 subsection, "*net business income*" shall not include any  
 33 income of a certified supplier that is attributable to an  
 34 existing trade or business or income-producing contract that  
 35 was acquired by the certified supplier through merger or

1 acquisition during or after the first year for which the  
2 certified supplier becomes eligible for the adjustment in this  
3 subsection.

4 Sec. 7. Section 422.35, Code Supplement 2011, is amended by  
5 adding the following new subsection:

6 NEW SUBSECTION. 26. *a.* If the taxpayer is a certified  
7 supplier that meets the requirements in section 15.228,  
8 subsection 1, subtract an amount equal to the difference  
9 between the taxpayer's net business income for the tax year,  
10 allocated and apportioned under section 422.33, subsection 2,  
11 paragraph "b", computed without regard to this subsection, and  
12 one hundred five percent of the taxpayer's net business income  
13 for the prior tax year, allocated and apportioned under section  
14 422.33, subsection 2, paragraph "b".

15 *b.* For purposes of the adjustment provided in this  
16 subsection, "*net business income*" shall not include any  
17 income of a certified supplier that is attributable to an  
18 existing trade or business or income-producing contract  
19 which was acquired by the certified supplier through merger  
20 or acquisition during or after the first year for which the  
21 certified supplier becomes eligible for the adjustment in this  
22 subsection.

23 Sec. 8. Section 422D.2, Code 2011, is amended to read as  
24 follows:

25 **422D.2 Local income surtax.**

26 A county may impose by ordinance a local income surtax as  
27 provided in section 422D.1 at the rate set by the board of  
28 supervisors, of up to one percent, on the state individual  
29 income tax of each individual residing in the county at the  
30 end of the individual's applicable tax year. However, the  
31 cumulative total of the percents of income surtax imposed on  
32 any taxpayer in the county shall not exceed twenty percent.  
33 The reason for imposing the surtax and the amount needed  
34 shall be set out in the ordinance. The surtax rate shall be  
35 set to raise only the amount needed. For purposes of this

1 section, "*state individual income tax*" means the tax computed  
2 under section 422.5, without regard to the adjustment to net  
3 income in section 422.7, subsection 57, less the amounts of  
4 nonrefundable credits allowed under chapter 422, division II.

5     Sec. 9. RETROACTIVE APPLICABILITY. This Act applies  
6 retroactively to January 1, 2012, for tax years beginning on  
7 or after that date.